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July 24, 2002

Ms. Marlene H. Dortch
Secretary
Federal Communications Commission
445 12th Street, S.W.
Washington, D.C. 20554

Re: Ex Parte Communication In the Matter of Review of the Commission's Rules and Policies Affecting the Conversion to Digital Television (MM Docket 00-39)

Dear Ms. Dortch:

On Tuesday, July 23, 2002, Lawrence R. Sidman and Sara W. Morris of Paul, Hastings, Janofsky & Walker, on behalf of Thomson Multimedia ("Thomson"), met with Alexis D. Johns, Legal Advisor to Commissioner Copps, to discuss issues in the above-referenced proceeding. The discussion focused specifically on proposals to require television manufacturers to integrate DTV reception capability in television receivers of certain screen sizes by a date certain.

Mr. Sidman reiterated Thomson's commitment to facilitating a speedy and successful transition to DTV and its historic role in offering products that permit consumers to make the DTV transition in a manner that suits their needs and budget. Thomson, through its newest line of DTV products, continues to increase the availability of integrated over-the-air reception capability in its digital video products, and is including secure inputs (1394/5C and DVI/HDCP) on those integrated receivers. To that end, Ms. Johns was provided an overview of Thomson's new line of DTV products, twenty-five percent of which include integrated over-the-air DTV reception capability.

Thomson associates itself with the views expressed by Zenith in its July 12, 2002 letter to Chairman Powell concerning the feasibility of consumer electronics manufacturers phasing in over time ATSC reception capability, commencing with larger screen sizes. The costs associated with DTV reception capability – today exceeding \$200; in 2006 still projected to be approximately \$100 – would dramatically increase the price of today's largest selling televisions, *i.e.*, under 27." Thomson believes that a voluntary industry DTV tuner initiative must be calculated to accelerate the DTV transition without inflicting "sticker shock" on consumers of smaller sized, more affordable receivers.

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Thomson urges, however, that the most important factor to ensure consumers actually purchase integrated DTV receivers and, thus, that the 85 percent penetration level set forth in statute is met, is the integration of cable-ready functionality in all DTV receivers, an outcome that demands the implementation by cable MSOs of a single national standard. Thomson urges the Commission to take a holistic view in resolving outstanding obstacles to the transition, noting Congress's expressed intent to do so in legislation as early as this fall.

As discussed in its *Petition for Partial Reconsideration* filed in this proceeding (and distributed at the meeting), Thomson believes that the Commission lacks authority, including under the All Channel Receiver Act ("ACRA"), to adopt rules mandating DTV integration absent a specific act of Congress requiring such integration. Thomson notes, in particular, the vastly different circumstances and costs associated with the ACRA's narrow goal of requiring televisions to receive UHF broadcasts (notably the simple and inexpensive "tweaking" of an existing tuning capability) versus those associated with DTV broadcasts (*i.e.*, the incorporation of an entirely new and complex *technology* at costs that would *double or triple* the cost to consumers of the most widely sold televisions). By contrast, Thomson notes that the Commission has broad authority to act regarding a national cable standard for DTV interoperability under Section 624A of the Communications Act – an action that, given that 70 percent of American households receive television via cable, would go vastly farther in driving DTV penetration than would the integration solely of over-the-air DTV reception capability.

In accordance with Section 1.1206 of the Commission's Rules, 47 C.F.R. §1.1206, an original and one copy of this letter, including attachments, are being filed with your office.

Please direct any questions concerning this matter to the undersigned.

Respectfully submitted,

/s/

Lawrence R. Sidman

Attachments

cc (without attachments): Alexis D. Johns